[Mr. K. Anantananarayana Aiyar.]

PRESIDENT: You have already supported the motion; you should have spoken then. I am afraid you cannot speak again.

MR. V. SUBBA AIYAR: Sir, Mr. G. Paramesvaran Pillai wants a cut of Rs. 60,000 and Mr. T. K. Velu Pillai says that the staff in the Division Cutcherry and other offices is not sufficient. I do not think it is possible to make any further cut. We have been going through the various items and it was found possible only to make a reduction to the extent of Rs. 19,500. No doubt it is open to the member to move for any lump sum reduction under ever so many items. I thought the motion in the present instance was intended to discuss the question of land revenue administration, seeing that the House has come to the conclusion that only Rs. 19,500 could be reduced.

MR. G. PARAMESVARAN PILLAI: I hope the member is aware that very many of the items are not votable.

MR. V. SUBBA AIYAR: The non-votable items are not before the House. I need hardly state that, out of the total allotment for the Land Revenue Department, it is only the votable amount that is now before the House. Seeing that we were at great pains to reduce the expenditure and we succeeded only to the extent of Rs. 19,500, a lump sum reduction of Rs. 60,000 would be too much and I believe it will completely paralyse the administration of the department, as was vehemently pointed out by Mr. Velu Pillai. I believe what Mr. G. Paramesvaran Pillai wanted was that persons who are responsible for the administration of land revenue should bear the defects he pointed out in mind, and I also believe that, seeing that his object has been achieved, he will see his way to withdraw the motion.

MR. G. PARAMESVARAN PILLAI: Sir, I withdraw the motion on the clear understanding that all the suggestions made in this Council will be considered by Government.

PRESIDENT: All the motions made in this House are for the consideration of the officers of the Government.

The motion was, by leave, withdrawn.

PRESIDENT: The motions made under Demand I, Land Revenue, are now over. The question is that a sum not exceeding Rs. 8·78 lakhs, *minus* Rs. 19,500, under Demand I—Land Revenue—be granted.

The grant was made.

Demand II—Taxes on Income.

MR. K. ANANTANARAYANA AIYAR: Sir, I rise to move for a grant not exceeding Rs. 19 lakh on behalf of the Income-tax Department.

***Motion* 20.**

The following motion was not made:

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MR. S. KRISHNA AIYAR:

20. *To reduce the allotment of Rs 14,086 for establishment by Rs. 10,570 (abolition of Income-tax Inspectors).*

Motion 21.

MR. C. P. KOCHUKUNJU PILLAI: Sir, I beg to make the following motion:

21. To reduce the allotment of Rs. 14,086 for establishment by Rs. 9,636 (abolition of Income-tax Inspectors).

Sir, the work in connection with the collection of income-tax chiefly consists in finding out the persons who are probable assessees, fixing the taxes on their income and actually collecting the same. This work was hitherto being done by Tahsildars and Peishkars with the help of certain subordinates of their own. We have had the collection of taxes on incomes for one full year and I find from the budget that more than a lakh has been actually collected. The Tahsildars, otherwise called collectors, are now getting information from the village officers and also on enquiries made by these very respectable persons in their respective taluks after receiving information of the names of assessable persons. After receiving such information, the Tahsildars have been issuing notices to the probable assessees for returns of their income and after receipt of these returns they have been fixing taxes on income and where it is found necessary they have been issuing notices to produce their accounts also. After receiving the accounts called for and checking those accounts, the collectors have been fixing taxes on their incomes and they have been actually collecting the same. So also, the Peishkars have been exercising their powers to fix the accounts within their jurisdiction. Now, my point is this. More than Rs. 3 lakhs have actually been collected on account of the work done by these Tahsildars and Peishkars, although they are burdened with various other items of work which have now been taken away from them—I mean the work in connection with the Devaswoms, maramat, and magistracy. The budgeted amount for the next year is only Rs. 4¼ lakhs; so, just above a lakh of rupees more than the revised estimate for 1097 has to be collected during the next year. We find that these few lakhs may very well be collected by the Tahsildars and the Peishkars themselves without the Income-tax Inspectors. My point is, why not we ask them to do the work when the Tahsildars are now free from the other items of work to which I referred before? Probably the Government may plead that in such places as Nagercoil, Kottayam, Alleppey, and Trivandrum, these Income-tax Inspectors may be found necessary to check the accounts of companies, merchants, and so on. So far as the budgeted amount for the next year is concerned, it is a small sum of about Rs. 4,75,000, and out of this amount, a sum of over Rs. 3 lakhs actually represents taxes on incomes. Thus, so far as the examination and checking of the accounts of assessees are concerned, the work would be nominal, and I do not see the need for appointing a separate batch of officers under the name of Inspectors. I am not responsible for a statement that I have now to make—

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[Mr. K. Anantanarayana Aiyar.]

PRESIDENT: You will have to make yourself responsible for the statements that you make.

MR. C. P. KOCHUKUNJU PILLAI: An Inspector was appointed at Nagercoil and he had to be sent back from that place because his services were not found necessary. I am not in full possession of the information regarding this. On this ground, I propose that the appointment of Income-tax Inspectors costing about Rs. 9,000 and odd is not necessary, especially when we find that our circumstances are such that we are forced to be very economical in the matter of expenditure.

MR. S. KRISHNA AIYAR: Sir, in rising to support the motion, I have only a few remarks to make. The ordinary staff must be quite capable of looking after the duties that are now being conducted by the Income-tax Inspectors. From what one knows, one is in a position to assure that the Income-tax Inspector has not even an hour's work a day. Having finished such work as he has he finds plenty of time, and to justify his existence he goes about doing the duty of a criminal intelligence officer. Such a position does not redound to the credit of an educated gentleman appointed to the place. This is a small matter and much argument is not necessary.

MR. J. JOHN NIDIRY: Sir, I support the motion, and in addition, I have to say a word. When we were dealing with the appointment of Assistant Tahsildars, one argument advanced by my friends on the other side was that the Tahsildar has the duty connected with income-tax collection. If that be the case, I do not see why a separate Income-tax Inspector is necessary.

MR. P. K. NARAYANA PILLAI: Will the Land Revenue Commissioner be pleased to say whether the Income-tax Regulation provides for the appointment of Income-tax Inspectors?

MR. K. ANANTANARAYANA AIYAR: Sir, with reference to Mr. Narayana Pillai's question as to whether the Income-tax Regulation provides for the appointment of Income-tax Inspectors, I may say that the Regulation provides generally for making rules for the appointment of such officers as are necessary to carry out the objects of the Regulation.

In rising to oppose the motion before the House, I may state that there seems to be some misconception as to the work of these Income-tax Inspectors. I would at once point out that these Inspectors are intended only for the towns and not for the area outside the towns. The total number of the assessees in the whole State assessed till the end of Mithunam, 1097, is 2,605, and more than one-half of this number comes from the five important towns of the State, *viz.*, Nagercoil, Trivandrum, Quilon, Alleppey and Kottayam. Alleppey comes in for the largest share, as it is an important commercial centre.

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MR. G. PARAMESVARAN PILLAI: May I know the figures in respect of each of these towns?

MR. K. ANANTANARAYANA AIYAR: I have not got the exact figure for each town just now. As I have said, more than one-half of the total number comes from the towns.

Here, as elsewhere, the only revenue officer having minimum jurisdiction over those towns is the Tahsildar. If the proposal of members on the other side is to be adopted, it will mean that the assessing officer should be entrusted with the duty of detecting assessees and conducting enquiries connected with the investigation regarding the various assessees and their approximate income and this is bad on principle.

I shall now read, from the instructions issued to the Inspectors, the duties assigned to them:

1. The duties of Income-Tax Inspectors are:—

(*a*) to collect information for purposes of income-tax assessment;

(*b*) to carefully and systematically watch the trend, volume and distribution of trade and enterprise both generally and in respect of particular individuals;

(*c*) to obtain information from the registration, railway, municipal and other offices and from civil courts;

(*d*) to conduct investigation of incomes by making careful and confidential enquiries in regard to the several sources of income of an assessee supporting his estimate of income under each source with definite data, especially in the case of trade, money-lending and rental income;

(*e*) to maintain a confidential note-book containing the financial history of the tax paid, the capital utilised, the landed property held, kists paid, and the volume and approximate extent of business done by each actual and potential assessee;

(*f*) to report names of persons to whom notices in C and D forms are to be sent;

(*g*) to maintain his own inward and outward registers;

(*h*) to submit proposals for assessment of persons whether already borne on the list of assessees or not;

(*i*) to submit reports on information called for by collectors;

(*j*) to submit to the Commissioner of Income-tax in Travancore a weekly diary containing the synopsis of cases (new and old) reported for assessment;

(*k*) to show in person to the collector once a week his journal containing the names of persons examined and the nature of information collected from day to day during the week;

(*l*) to conduct prosecutions that may be ordered or assist in conducting cases before Magistrates under the Income-tax Regulation.

(*m*) to supervise the work of process-servors and in special cases to assist in the execution of distraint warrants and service of processes: and

(*n*) to submit fortnightly statements of prices of selected commodities to the collector.

2. All the information collected each day shou'd be entered in the journal and in the confidential note-book. The journal will contain only the names and addresses of informants, the information obtained being embodied in the confidential note-book. Facts which come to light in connection with the assessment of one assessee and have a bearing on the income of another, *e. g.*, loans and business transactions, should be immediately noted against the latter.

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[The President.]

MR. K. P. RAMAN PILLAI: What is meant by detecting assessees?

MR. K. ANANTANARAYANA AIYAR: It means finding out persons who get a high income but escape from assessment by the collectors. These are the duties of the Income-tax Inspector. The accounts are maintained in different languages. Some of the merchants maintain their accounts in Guzarati and these accounts have to be examined.

MR. S. ADAM SAIT: May I know whether anyone among the present Inspectors knows Guzarati?

MR. K. ANANTANARAYANA AIYAR: There are none who know Guzarati. I have issued a notice inviting Guzarati-knowing candidates. There is already an application before me from a Guzarati-knowing graduate. The House has, I believe, an idea of the work done by these Inspectors. The outlay on these Inspectors will be paid over several times, if they work properly. I, therefore, oppose the motion for reducing any amount under income-tax. It will be observed that, of all Departments, the Income-tax Department claims the least percentage of expenditure. I only want 7 inspectors, 5 for the major towns, one for tackling Guzarati accounts and another for similarly dealing with Tamil accounts.

MR. A. GOVINDA MENON: Sir, before taking any part in the discussion I should like to know whether, in municipal towns, where we levy professional tax, there is any objection to entrust municipalities with the duty of giving information as regards the assessable income? The duty of the Inspector is not to collect the tax, but to ascertain the assessable income of each individual. In a Municipality, the municipal authorities have to assess from Rs. 480 up to any amount. Why should any additional staff be employed in respect of these towns? Would it not be better to entrust this duty to the Municipalities and pay them something for the trouble? With these words, I support the motion.

MR. JOHN MACKIE: Sir, I support the motion. The appointment of these Income-Tax Inspectors is a mistake. A chartered accountant who is also an expert in commerce, with a couple of clerks having knowledge of commerce and financial accounts, is all that is necessary.

MR. S. ADAM SAIT: Sir, in supporting the motion, I beg to submit that the present trade depression is well-known to all who are present here as well as to the whole world. What is now stated is that a large amount of income-tax has been collected from Alleppey by the Income-tax Inspector. Regarding the state of affairs in Alleppey and the condition of the commercial community there at present, Mr. Krishna Aiyangar will testify to what we shall be able to collect.

PRESIDENT: I am afraid that it is not relevant. If there is trade depression and consequently a reduction in income, the merchants will get a refund. The question before us is whether the appointment of Income-tax Inspectors is necessary or not.

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RAO BAHADUR K. A. KRISHNA AIYANGAR: Sir, I beg to support the motion. The necessity for these Inspectors has not been made out. These 7 Inspectors are supposed to deal with only a comparatively small area in the State. So far as rural areas are concerned, the work is done by the Tahsildars. I do not believe that the burden on the Tahsildars will be considerable, if they are required to do the work of assessing incomes in urban areas as well. If the help of the qualified accountants is felt necessary by the collector of income-tax in examining the books of merchants filed before them, there may not be any objection to the appointment of qualified accountants, but the idea of a roving commission granted to the Inspectors to assess the income of parties, not necessarily on data collected from their books, but from what they refer to as independent sources of enquiry, is, I think, holding out a great temptation to these Inspectors to over-assess the income of merchants, bankers and other individuals in the State. I am prepared to say that in the working of the Income-tax Regulation there is a good deal of heart-burning created not necessarily because the Regulation is worked unsympathetically by the authorities concerned. This is the first experience that the departmental officers and the public are having with reference to the way in which accounts have to be prepared or with reference to the period before which accounts have to be submitted for examination by the officers of Government. I myself believe that the disappointment that is experienced by a section of the public is only a passing phase in the history of income-tax collection in the State. When parties fail to file their statements in time, the collector is at liberty to assess the income of the defaulter on the basis of any information at his disposal, but why should that information be collected by the Income-tax Inspector instead of by the Tahsildar himself? To my mind no case has been made out for creating a distinct class of officers for dealing with urban areas. I support the motion.

MR. TARIATU KUNJITOMMAN: Sir, ആവശ്യത്തിലധികം ഉള്ളോ ദസ്ഥന്മാരെ വയ്ക്കുന്നതു ഗവർണ്മെന്റിനു പണച്ചിലവിനും, ജനങ്ങൾക്കു പലവിധത്തിൽ ബുദ്ധിമുട്ടുകൾക്കും ഇടയാക്കുന്നതാണു്. അതിനാൽ ദേവസ്വവും മജിസ്ട്രീരിയലും ജോലികൾ റവന്യൂ ഉദ്യോഗസ്ഥന്മാരിൽ നിന്നു വേർപ്പെടുത്തിയിരിക്കുന്ന സ്ഥിതിക്കു് ആഭ്യന്തരനികുതി പിരിക്കുന്നതിനു പ്രത്യേകം ഇൻസ്പെക്ടർമാരെ നിയമിക്കേണ്ടയാവശ്യമില്ല. ഇപ്പോഴത്തെ റവന്യൂ ഉദ്യോഗസ്ഥന്മാർക്കു് ആ ജോലിക്കുടി നിർവ്വഹിക്കുന്നതിനു സമയവും സൌകര്യവും ഉണ്ടു്. റവന്യൂ കമിഷണർ പറയുന്നതുപോലെ ഗുജറാത്തിമുതലായ അന്യഭാഷകളിൽ വച്ചിട്ടുള്ള കണക്കുകൾ പരിശോധിക്കുന്നതിനു് ഇപ്പോഴത്തെ റവന്യൂഉദ്യോഗസ്ഥന്മാർക്കു് അറിഞ്ഞുകൂടെങ്കിൽ ആ ഭാഷകൂടി അറിയാവുന്ന ചില ക്ലാർക്കുകളെ ആവശ്യമുള്ള താലൂക്കുകളിൽ കൂടുതൽ ചിലവു കൂടാതെ വയ്ക്കാവുന്നതാണു്. അതിനാൽ ആഭ്യന്തരനികുതി ഇൻസ്പെക്ടർമാർ തീരെ ആവശ്യമില്ലെന്നും ആ ഇനത്തിലേക്കു ബഡ്ജറ്റിൽ കൊള്ളിച്ചിട്ടുള്ള സംഖ്യ അനുവദിക്കുന്നതുകൊണ്ടല്ലെന്നും ഞാൻ അഭിപ്രായപ്പെടുന്നു.

MR. N. PADMANABHA PILLAI: Sir, there is in the Municipalities profession tax, which is more or less akin to income-tax. We in the Municipalities manage to collect profession tax without

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[Mr. T. Lakshmana Pillai.]

entertaining any additional hands. Practically, we are doing the business with the existing staff. From the way in which we are able to do the business without entertaining any additional hands, I beg to submit that there is absolutely no need for these Income-tax Inspectors.

PRESIDENT: Muncipalities have been asking for additional hands.

MR. N. PADMANABHA PILLAI: I myself have asked. But, that is not with regard to Income-tax alone; that is with regard to the office work and not to any collection work. The collection work is practically done by the collection staff itself. So far as Quilon is concerned, the Inspector very often comes to the Municipal office and takes copies of the assessment list there. There is no need for him to copy the list. When the taluk or the revenue authorities ask for the list, we shall forward to them the list we have. I am convinced that there is no necessity for the appointment of these Income-tax Inspectors.

MR. C. J. CURIEN: Sir, as has been suggested by several members, income-tax could be collected by Tahsildars who are now relieved of Devaswom work and the expenses to the State would be less. I am of opinion that all these posts should be abolished and since the Revenue Commissioner said it was not possible to do without them, I shall go the length of supporting the suggestion of Mr. John Mackie.

MR. K. C. MAMMEN MAPPILLAI: Sir, my own experience is that, even if all these Income-tax Inspectors are abolished, the number of officers connected with the Income-tax Department is sufficiently large to meet all the requirements of the situation. On the principle that the devil finds work for idle hands to do, these Inspectors, who have very little work, go about prowling and doing inquisitorial work, and I strongly feel that their abolition will not be in any way injurious to the department. I think that they laid down the principle of 5 per cent. on the total turnover of a firm as their annual income. And I suppose it was on this principle that they assessed the income tax on certain firms which recently failed in Alleppey. A month or two after they assessed the income at Rs. 20,000 or Rs. 30,000, these firms had to be closed.

With regard to the assessment, I think it would be far more effective if the income-tax officers had at their disposal an expert who is perfectly conversant with the principles of accountancy and finance---one of the type of a chartered accountant, as suggested by Mr. Mackie, whose duties should not be in the nature of a roving commission, but who should place his expert knowledge and assistance at the disposal of any income-tax officer in every case that may be referred to him. I strongly feel that the Income-tax Inspectors, as at present constituted, are entirely useless and injurious.

MR. T. LAKSHMANA PILLAI: Sir, one main point has been lost sight of. If this work is going to the Tahsildars who are to be relieved of their Devaswom and magisterial work, I wonder how they are going to do their revenue and treasury work satisfactorily.

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They will have to remain at the treasury on most days of the month. Under these circumstances, I do not see how the Tahsildars can be burdened with this income-tax work, unless you give them assistants of some status. I am of the opinion that Income-tax Inspectors are necessary, so far as towns are concerned.

MR. M. R. MADHAVA VARIAR: Sir, I support Mr. Kochukunju Pillai's motion. Now, one officer presides over the destinies of the Land Revenue and Income-tax Departments, so that the Land Revenue Department cannot be considered a separate department. I cannot say that the expenditure on the department is not very great. The only question to be considered is whether Income-tax Inspectors are quite necessary for the assessment of income-tax. Some of my friends on this side of the House have pointed out that the Tahsildars can attend to this work without prejudice to their other duties. The Tahsildars are now shorn of their Devaswom and magisterial work, as was pointed out in the course of the discussion on another motion. Mr. Anantanarayana Aiyar pointed out that Income-tax Inspectors are necessary because Guzarati accounts have to be examined. I wish to point out that this is no reason for appointing Income-tax Inspectors. There may be accounts in Marathi and other languages which may have also to be inspected. We shall not be able to appoint an Inspector in respect of each language. It is better to ask the merchants to appoint clerks who know Malayalam to explain the accounts or they may be asked to write their accounts in Malayalam. As for the duties of the Inspectors, I think that they can be easily attended to by the Tahsildars. Anyhow, seven Inspectors are not at all necessary, as the major portion of the income-tax is admittedly derived only from Trivandrum and Alleppey. I generally support the motion.

MR. P. K. NARAYANA PILLAI: I also support the motion. Mr. Anantanarayana Aiyar's argument based on the linguistic variations in account-keeping cannot certainly hold good. Several persons totally unacquainted with Cutchi or Guzarati manage to get through their business. When such accounts are produced in courts of law, we find out some person versed in the language and manage that part of the matter. Then, another argument that has been put forward relates to the comparative cost of these appointments. As Mr. Ananatanarayana Aiyar puts it, comparatively looking at the situation, it is not, after all, a costly matter. That is not judging the matter on its intrinsic merits. As the Irishman will put it, each herring must hang by its own tail.

The question is whether these Inspectors are to do any useful work. The Income-tax Commissioner has been telling us that the Inspector performs a sort of financial underground work. On that very score, I have an amount of invincible objection to that appointment. On these grounds, I support the motion.

MR. M. K. KHADIR PILLAI: I know from my experience that at present the revenue authorities who assess income and collect taxes are causing a lot of trouble to the people. If Income-tax Inspectors are also to be appointed, I am sure that people will be

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[Mr. V. Subba Aiyar.]

put to more trouble and difficulty. I, therefore, have much pleasure in supporting Mr. Kochukunju Pillai's motion.

MR. V. SUBBA AIYAR: Sir, evidently the Income-tax Inspector, like the police officer, is considered a nuisance. Personally I should like to be free from the clutches of all income-tax officers. But the income-tax officer has, as the police officer, became a necessary nuisance. I belive that it is admitted on all hands that our finances are not in a very good condition and that the income-tax assessment is the most equitable of all the assessments in the State. It is, therefore, necessary that every endeavour should be made to collect what is legitimately due to Government under this head and the only question is how to do it. The necessity for these Income-tax Inspectors has been much criticised by the other side of the House. The nature of the work of these Inspectors was described in detail by the Income-tax Commissioner. They have to prepare confidential reports as to what person is capable of being assessed, how he should be assessed, etc.

Mr. Mackie thinks that the Income-tax Inspectors are unnecessary and that an auditor may be enough. We may, no doubt, act accordingly if we have firms of the standing of Messrs. Harrisons and Crosfield who have a regular system of accounts and whose balance sheets are regularly checked by chartered accountants. But there are many merchants whose accounts may be open to question. There are merchants *and* merchants. We know from personal experience, not only in Travancore but also elsewhere, of people who always send up deficit balance sheets even though they get a very large profit. This cannot be easily detected. So far as the towns are concerned—and it is conceded by some that in the towns of Trivandrum and Alleppey—it will not be possible for the Tahsildar to prepare lists of assessees. The lists hitherto prepared cannot be said to be perfect. We are in the first year of the working of the Income-tax Regulation, and it will take many years before we get the necessary data on which income could be satisfactorily taxed. Hence the supposition of Mr. Kochukunju Pillai that, as the lists have been already prepared, there is an end to all income-tax work is erroneous. In this year many assessees have no doubt been assessed. How much has to be refunded will be known only in the next year. This will certainly involve additional work. In Mysore and Bangalore we have highly-paid officers as Income-tax Inspectors and so also in British India.

MR. S. KRISHNA AIYAR: There is only one officer in Mysore for the whole State and the city.

PRESIDENT: There are separate officers for Bangalore and Mysore for income-tax.

MR. V. SUBBA AIYAR: What I wish to suggest is that, until we are on safe ground, until we know the number of assessees and the amount to be collected from each annually, we cannot say that the

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Inspectors are unnecessary. In other words, the working of the Regulation and the collection of the tax have not reached a satisfactory stage. The work is now in its infant stage and it is too early to discuss the question of disbanding the Inspectors. It is absolutely necessary to collect information about the names of persons who now possess taxable income. A suggestion was made that the appointment of these Income-tax Inspectors has not been provided for in the Regulation. No doubt, the Income-tax Inspector is not a person who is contemplated by the Regulation. He does not collect the tax and does not, therefore, possess the powers of a Collector or a Commissioner. He is only a person who is intended to collect information. Whether he is recognised by the Regulation or not is immaterial. Mr. Govinda Menon suggested that the Municipalities might be allowed to collect the tax.

MR. A. GOVINDA MENON: I did not say so in respect of collection, but only of assessment.

MR. V. SUBBA AIYAR: Even as regards that, the House knows without my telling it that there are ever so many difficulties in the way. In the first place, the work of the Inspector is supposed to be strictly confidential. I do not know whether the Municipal Councils could be entrusted with this work. In the case of a Municipal Council which consists of 19 or 20 members, each member is at liberty to know the assessment. How far such confidential matter could be left with the Council, I leave to the House to consider. As regards the way in which information is collected by the Municipal Council, I may say, and as a matter of fact I know, that, so far as Trivandrum is concerned, the income-tax officer supplies information to the Council regarding the names of the assessees and the amount of tax they pay. It is through the income-tax officer that the Municipal Council is getting the information regarding the professional tax it has to levy. Again, Mr. Govinda Menon wants payment. What will it come to for all the 19 Councils? I appeal to the House to consider that we are only in the first year of the working of the Regulation. We do not know how we would fare next year. The amount asked for is only small. In these circumstances, why not give it a fair trial for some time? If after working the arrangements for a time this House is of opinion that these Inspectors are not necessary, it is open to the House not to vote for the grant then. We have to come again before the House next year. Let us give the Inspectors a fair trial. Let us have a complete list of the assessees in each town. Let us know what the average annual income is. Till then, as I have already stated, it would be too early to discuss the question as to whether it is necessary to have these Inspectors. With these words, I appeal to the House to reject the motion for the abolition of the Inspectors.

MR. R. KRISHNA PILLAI: Sir, I rise to oppose the motion. The Income-tax Inspectors are no doubt an evil. But they are a necessary evil. They do not assess or collect the tax; they only investigate and place before assessing officers the data necessary for the assessment of the tax. It is towns like Trivandrum and Alleppey that contribute

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[Mr. C. P. Kochukunju Pillai.]

the major portion of the tax, as most of the assessees congregate there. It is, therefore, essential that in towns there should be special officers who will be in a position to help the assessing officers in determining the taxable income of assessees. In the Mysore State, there is a special Income-tax Collector for the cities of Bangalore and Mysore and he is assisted in his work by a number of Income-tax Inspectors. Similar arrangements prevail in the cities of Bombay and Madras.

MR. G. PARAMESVARAN PILLAI: May I know what the whole of the Income-tax collected in Mysore is?

MR. K. ANANTANARAYANA AIYAR: In Bangalore it is about Rs. 2 lakhs.

PRESIDENT: I know the whole tax is about Rs. 8 lakhs. In the Madras city also, there are about 9 Inspectors.

MR. R. KRISHNA PILLAI: Seeing that the cost involved is very small and that the Income-tax Regulation has only been recently introduced, I think it is absolutely necessary, in the interests of revenue, that we must have a set of inspecting officers for towns. I find that, while the average number of assessees in a taluk is about fifty, the number in the towns is much larger. So far as Trivandrum is concerned, the number of assessees is 343.

MR. P. K. NARAYANA PILLAI: Is there any necessity for an Inspector in the case of companies?

MR. R KRISHNA PILLAI: Yes; in the case of companies also, the Inspectors have much work to do. In the circumstances explained, it would be impossible to dispense with the services of the Inspectors.

MR. C. P. KOCHUKUNJU PILLAI: I think I have not got much to say by way of reply. All the points advanced by Mr. Anantanarayana Aiyar have been answered by several of my friends on this side of the House. In regard to the confidential report referred to by Mr. Subba Aiyar, I may say that I am at a loss to understand whether the Tahsildars and the Peishkars are not such confidential officers as the Income-tax Inspectors themselves. Then as regards the accounts written in Guzarati, I understand from what has been said by those members on this side who are also connected with the Municipalities that profession tax is being levied from merchants in the municipal areas without the help of an expert, although in certain municipal towns the accounts are kept in that language.

Mr. Subba Aiyar wants the House to sanction the appointment of some Inspectors at least as an experimental measure for the coming year, this being the early stage of the working of the Regulation. I do not quite agree with him. The creation of new appointments should not be made on the basis of a trial at this juncture, when our finances are not,

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as he himself admits, in a sound condition. So, I have to state that I am not fully convinced of the arguments urged on the other side as to the need for the appointment of these Inspectors and I still stick to my motion.

MR K. ANANTANARAYANA AIYAR: Sir, I have not got much to say by way of reply except as regards the collection of income-tax by Municipal Councils. The principle on which municipal assessments are made and the principle on which income-tax is assessed are different. As regards income-tax, the law lays down exactly the principle on which the tax is to be assessed. We have to grant rebates, allowances for depreciation of stock, depreciation of buildings, depreciation of machinery and so forth. There is another reason and that is that the strictest possible secrecy has to be maintained in giving effect to the provisions of the law. It is not desirable that the officer who makes an investigation should also be the assessing officer; and as things stand at present I may inform the House that the Trivandrum Tahsildar will not be able to do anything by way of income-tax work. There is no income-tax officer for the Alleppey town.

MR. P. K. NARAYANA PILLAI: The head-quarters of the Tahsildar has now been removed to Alleppey.

MR. K. ANANTANARAYANA AIYAR: He has not been entrusted with this work, for his other duties will not permit him to do this. A high-paid officer would be much better. Again, if we adopt Mr. Mackie's suggestion to appoint a chartered accountant and two clerks, I do not know if we can get such an accountant unless a renumeration equivalent to seven times the pay of the Inspector is paid. Of course, we have got auditors and I propose to have auditors to check the balance-sheets and the profit and loss accounts produced by the assessees. It is for the purpose of assisting them that these Inspectors are appointed, along with their other duties. It is not for them to go and inspect the accounts.

MR. JOHN MACKIE: The Income-tax Inspector does this work. He asked me for the accounts and I refused to show them.

MR. K. ANANTANARAYANA AIYAR: The member was quite right in not showing his accounts to him for the purpose of inspection.

However all these Inspectors are very necessary for the towns. Otherwise, the income-tax revenue will suffer seriously and persons with assessable income are certain to escape assessment. I cannot hold myself responsible for not bringing to book the assessees in the towns, where there is a large number of them. However, in deference to the wishes of the members on the other side of the House, I have no objection to make a reduction of one Inspector.

PRESIDENT: Gentlemen, before I put this motion to the vote, I should like to say a few words upon the question now before the House, because, some years ago, I happened unfortunately to be that inquisitorial detective officer whom the House so much dreads, in the

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[The President.]

Madras Corporation. I had to assess professional and all other kinds of taxes. I am surprised that I am here to-day standing before you, having outlived all the abuses and all the dislike with which I was then confronted. It is perfectly natural for the House to dislike these Inspectors. Their work is of such a nature. It is very unfortunate, but they are a necessary evil. The House seems to forget that it is not they that make the assessment, and that they are only investigating officers. They do the work that has to be done by somebody or other. And I would request the House to remember that on principle it is better that the man who assesses and discharges *quasi*-judicial functions should not be the man who takes part in this investigation process. I should personally like Tahsildars not to have anything to do with investigations even outside towns. But, on the ground of cost, that has not been proposed. Also, in regard to the rural area outside the towns, the Tahsildar may get information not directly, but through other agency such as the proverthikars; and in his judicial capacity he has to decide whether the information is reliable or not. It is for the assessing officer to judge whether the information is acceptable or not. And if you have not got that agency to collect that information, then you will find that all the cases on the borderland, to which Mr. Subba Aiyar has referred, cannot be assessed and the income-tax revenue will suffer.

These Income-tax Inspectors are not peculiar to Travancore. There are several Inspectors in Mysore and I believe several more in British India, where, without the Inspectors, the administration of the Income-tax Act was most unsatisfactory. It was only after a very long experience of 30 years in British India that the Government thought that it was necessary to have Inspectors, who would report the basis upon which income was to be assessed.

Mr. Mackie's suggestion to have auditors is a very good one. And we are contemplating to have an auditor on the staff of each Peishkar and the Commissioner. But that will be from the staff already sanctioned. These Inspectors who have to do intensive work in towns are a necessity, and I trust the House will consider the matter carefully and come to a decision. The Income-tax Commissioner says that he will be satisfied with six of these Inspectors, and I think it is only fair that at this initial stage he should not be handicapped.

I shall now put Mr. Kochukunju Pillai's motion to the vote. The question is that the allotment of Rs. 14,086 for the establishment under Income-tax be reduced by Rs. 9,636.

The motion was put to the vote and carried.

A poll having been demanded by Mr. Paramesvara Aiyar, it was taken with the following result.

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Demand II.—Taxes on Income.

AYES—28.

Mr. S. Adam Sait.
,, T. M. Chidambaratanu Pillai.
,, C. J. Curien.
,, A. Govinda Menon.
,, Bahadur M. K. Khadir Pillai.
,, C. P. Kochukunju Pillai.
Rao Bahadur K. A. Krishna Aiyangar.
Mr S. Krishna Aiyar.
,, T. Kumara Pillai.
,, Tariatu Kunjitomman.
,, V. Kunjukrishna Pillai.
The Rev. Fr. Kuriakose Vettikkapalli.
Mr. M. R. Madhava Variar.
Mr. P. K. Narayana Pillai.
,, J. John Nidiri.
,, M. Nilakanda Pillai.
,, N. Padmanabha Pillai.
,, Joseph Panjikaran.
,, K. Paramesvaran Pillai.
,, G. Paramesvaran Pillai.
,, K. C. Raja Raja Varma.
,, N. Ramakrishna Pillai.
,, C. Ramankunju.
,, K. P. Raman Pillai.
,, V. Raman Pillai.
,, Dominic Tomman.
,, Trivikaramar Vasudevar.
,, T. K. Velu Pillai.

NOES—20.

Mr. K. Anantanarayana Aiyar.
,, I. C. Chacko.
,, Paul V. Daniel.
,, R. Dhanukoti Pillai.
,, R. Everard.
,, K. George.
,, L. C. Hodgson.
,, A. Hoogewerf.
,, R. Krishna Pillai.
,, N. Kumaran.
Dr. N. Kunjan Pillai.
Dewan Bahadur Dr. P. N. Lakshmanan.
Mr. T. Lakshmana Pillai.
,, John Mackie.
,, S. Paramesvara Aiyar.
,, P. Paramesvaran.
,, W. H. Pitt.
,, M. Raja Raja Varma.
,, V. Subba Aiyar.
,, A. J. Van Ross.

The motion was carried, 28 voting *for* and 20 *against* it.

***Motion* 22.**

The following motion was not moved:

MR. G. PARAMESVARAN PILLAI:

22. *To reduce the total allotment of Rs. 19 lakh for Taxes on Income by Rs. 100.*

The House then adjourned at 5-10 P. M.

S. PARAMESVARA AIYAR,
Secretary to the Legislative Council.

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